



COUNTY OF SAN LUIS OBISPO

**AUDITOR • CONTROLLER • TREASURER • TAX
COLLECTOR • PUBLIC ADMINISTRATOR**

Public Works Department Cash Procedures & Internal Control Review

March 2016

**JAMES P. ERB, CPA
Auditor-Controller
Treasurer-Tax Collector-Public Administrator**



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TO: WADE HORTON, PUBLIC WORKS DIRECTOR

FROM: JAMES P. ERB, CPA, AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR *J.E.*

DATE: MARCH 21, 2016

SUBJECT: CASH PROCEDURES AND INTERNAL CONTROL REVIEW OF PUBLIC WORKS
CONDUCTED ON NOVEMBER 19, 2015

Our office recently completed a cash procedures and internal control review of Public Works that took place on November 19, 2015. Our review resulted in one suggested improvement.

Purpose

The purpose of our review was to determine compliance with the County Auditor-Controller's Cash Handling Policy, to establish accountability for the cash on hand at the time of the review, and to determine compliance with the County Information Technology (IT) Acceptable Use Policy Acknowledgement signature requirements.

Scope

The scope of our review included cash and receipts on hand on November 19, 2015 as well as deposits for the prior month. Additionally, we reviewed the department's depository accounts, Cal-Card activity. County IT Acceptable Use Policy Acknowledgements signed in the past calendar year were also sampled and examined.

Methodology

We conducted our review in conformance with the *International Standards for the Professional Practice of Internal Auditing*. The International Standards for the Professional Practice of Internal Auditing require that the internal audit activity be independent and internal auditors be objective in performing their work. The Standards also require that internal auditors perform their engagements with proficiency and due professional care; that the internal audit function be subject to a program of quality assurance; and that the results of engagements are communicated.

Our review included physically counting all cash on hand for November 19, 2015 and reconciling the amount to the department's accountability figures. We examined cash receipts and compared the amounts to the corresponding receipts total and to the subsequent deposit. Our review also included an evaluation of internal controls over cash receipts and Cal-Card activity.

Our evaluation of internal controls was limited to inquiries of departmental staff and direct observations.

Additionally we tested for compliance with the County of San Luis Obispo Information Security Program's requirement that employees annually sign the Acceptable Use Policy Acknowledgement form.

Results

We determined all cash funds and cash receipts on hand to be in balance at the time of our count; the Department is in general compliance with the Cash Handling Policy, and employees signed the IT Acceptable Use Policy Acknowledgement form in a timely manner. The Department's internal controls over Cal-Cards appear to be adequate.

During fieldwork we identified an area where improvement could be made, and we immediately provided the Department with suggestions for making the improvement. Suggestions for improvement are for issues that the auditor considers not to be of an immediate serious nature and/or for issues which the department is able to correct at the time of the audit. Unlike formal audit findings, written departmental responses are not required for these issues. Our suggestion is detailed in the Suggested Improvements section below:

Suggested Improvements

1. We noted the department's two change funds were also being used for petty cash purposes. Change funds are intended to provide change to customers, while petty cash funds are intended to provide a method for departments to make minor purchases. The County Cash Handling Policy prohibits commingling change and petty cash funds. Public Works staff were unaware of the prohibition, which exists to reduce the misuse and inappropriate expenditure of public funds. Subsequent to fieldwork Public Works requested and received a separate petty cash fund.

We appreciate the courteous attitude of your staff and the cooperation we received during the course of our review.